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Australian Mystery

Banker Frank Nugan In Final Days Faced A Charge of Fraud But His Violent Death Came As Surprise to Associates; His Partner Disappears

A Phone Call From 'Charlie'

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SYDNEY, Australia—There were several reasons why Frank Nugan might have wanted to kill himself. But in January 1980, none of them were apparent to outsiders.

The 37-year-old co-founder of the Nugan Hand Ltd. private banking empire seem-

This is the last of a series of articles.

ingly had the world on a string. His bank was taking in millions of dollars and had recently brought in a young American with impressive banking credentials to take some of the load off his shoulders. Mr. Nugan was negotiating to buy a multimillion-dollar estate for his family. And he apparently had whipped a serious drinking problem.

But as the fateful date of Jan. 26 approached, Mr. Nugan was confronted with two serious legal problems that threatened possible ruin for his bank. In retrospect, moreover, there were signs of eccentric behavior that should have served as warnings.

Mr. Nugan had stopped spending most of his time at Nugan Hand's Sydney headquarters, and he was making more first-class jet trips around the world on missions his associates didn't always understand.

A Walk With Jesus

He began going to church daily and scrawling mystical notes in his Bible, which was always with him. A sample: "I place this day my life, my work, my loved ones in the Lord's hands. He is so good and it will be a good day I believe, I believe it will be a glorious, magical, miraculous day. He is with me now, Jesus walks with me now. Visualize 100,000 customers worldwide. Prayerize. Actualize."

One of Mr. Nugan's legal problems grew out of a 1977 scandal that had developed over a fruit and vegetable business run by Mr. Nugan's brother, Ken, in their home town, Griffith, 400 miles inland from Sydney. Several large insurance companies had acquired a 40% interest in the business during a 1973 stock sale to raise \$700,000 for a new cannery. Later, the

Auditors discovered big cash payoffs to people apparently linked to narcotics traffic. Ken Nugan explained that the payments were to fruit farmers who wanted to remain anonymous for tax reasons and so were using dope dealers' names as pseudonyms. Amid much publicity, Ken Nugan fired the auditors and kicked the insurance men off the company's board.

This was done at two rowdy shareholder meetings at which drunks and thugs with newly issued 10-share stockholdings packed the hall and swayed procedural votes. Frank Nugan had helped orchestrate his brother's strategy, and state officials filed fraud charges against both brothers and a private detective they hired.

Sitting With a General

During the two years of court hearings to see if the charges would be tried, one of the men often at Frank Nugan's side was U.S. Gen. Edwin F. Black, who, after his retirement as assistant Army chief of staff for the Pacific, had taken a job as the president of Nugan Hand Hawaii. Gen. Black says that he attended the court hearings just to satisfy his curiosity.

Frank Nugan protested loudly that Nugan Hand was unconnected to the fruit and vegetable business. But when Nugan Hand Ltd. collapsed in April 1980, a few months after Frank Nugan's death, John O'Brien, a liquidator, said in his initial report that a "third party"—known to be Ken Nugan—had received \$1.6 million that his brother had diverted from Nugan Hand. Some \$1.1 million of this is credited as having been paid back. Nugan Hand funds also are believed to have been used to pay the Nugans' legal bills.

There were few details in the records. Immediately after his brother died, Ken Nugan went through Frank's office and, witnesses say, removed armfuls of files. A Nugan Hand director, Stephen K.A. Hill, has said that Ken also transferred a lot of Nugan Hand's stock in the fruit company to the wives of Frank Nugan and Michael Hand, the vice chairman of the bank. Mr. Hill says he argued vainly that the stock should be an asset of the bank.

Less than a month before he died, Frank Nugan learned that he and his brother would be tried for fraud, a development that (Ken Nugan's trial now is scheduled for later this year, after many delays.)

A Problem With Price Waterhouse

The other problem probably weighing on Frank Nugan's mind on the night of Jan. 26 was the refusal of Price Waterhouse & Co.'s Bahamas office to sign Nugan Hand bank's books for the year ended June 30, 1979. (The Bahamian office covers the Cayman Islands, where the bank had legal headquarters because of the soft regulatory climate there.) Mr. Hill had taken the books to the Caymans in October 1979. The local Price Waterhouse partners had approved the books for the two previous years, but this time there was a new Price Waterhouse auditor on hand, Clive Jennings. He balked. "There were significant gaps in the records," Mr. Jennings says.

Mr. Hill has testified that he rewrote the accounts annually on instructions from Frank Nugan. He said that in 1979 his boss ordered \$4 million in customer accounts written off as having been paid in cash, off the books. To clean the bank's books, these accounts were assigned to Nugan Hand Panama, which Mr. Hill said was mostly a reservoir for phony accounts needed to balance the books. Most of the bank's \$17 million in stated assets were really IOUs from companies that were secretly affiliated with it, and these bogus assets were altered as needed to even the numbers.

Mr. Hill has testified that he was accompanied on the 1979 meeting with Price Waterhouse by U.S. Adm. Earl "Buddy" Yates, a former high-ranking officer in the U.S. Pacific Command who had become president of Nugan Hand bank in 1977. Mr. Jennings and his supervising partner, Richard Harris, who signed the 1978 books but was away during Mr. Hill's visit in 1979, say that Adm. Yates was present in 1977 and 1978 but not in 1979. Mr. Jennings says that in 1979 he sent Nugan Hand's emissary, Mr. Hill, home with a list of information he needed, "and that was the last I ever heard from him."

With the problem unsolved, Mr. Nugan himself went to the Caymans on Jan. 14-16, 1980, just 10 days before his death. Cayman banking authorities had notified him that if Price Waterhouse hadn't certified the June 1979 books by Jan. 31, Nugan Hand bank itself would be decertified there. This would damage Nugan Hand's relationships with major commercial banks throughout the world. Already, because of the lapse in auditing, Singapore had asked on Dec. 5 to see the books, and Mr. Hand was trying to hold them off.

Messrs. Jennings and Harris say they went to Mr. Nugan's hotel room on Jan. 14 and asked for the necessary information, and he told them, "You'll never guess what happened. I came all the way from Australia with the answers to your questions, but then I left the file back in Australia." They say it would have been a bulky file. They say that Mr. Nugan called his secretary in Sydney and told her to send the file. It never arrived.

Hiring a New President

Mr. Nugan was losing his grip on himself and his job. In October 1979, an American, Donald Beazley, had been brought in as president of the entire Nugan Hand group of companies. Mr. Beazley was Nugan Hand's first real banker. A former Federal Reserve bank examiner, he had become the president of Great American Banks Inc. of North Miami, Fla., when Marvin Warner, its chief executive, had left to become President Carter's ambassador to Switzerland. When Mr. Warner returned, Mr. Beazley left to run Nugan Hand. Mr. Beazley is now the president of Gulfstream Bank in Boca Raton, Fla., whose one-bank holding company is listed on the New York Stock Exchange.

Mr. Beazley has told interviewers—including this newspaper—that he never really was the president of Nugan Hand, but "was just there on an interim basis (to) see if I liked what I would find." He has said that he left when Nugan Hand couldn't produce a satisfactory balance sheet and Mr. Nugan died.

That isn't the way he talked, however, in October 1979, when Nugan Hand's representatives from all over the world were flown at huge expense to Sydney for a conference. Mr. Beazley was presented as the new boss. Messrs. Nugan and Hand said that they would be reduced to broad policy makers and that all orders would come from Mr. Beazley from now on.

'Mike, Frank and Buddy'

Mr. Beazley, after being praised by Adm. Yates as "the finest banker in the United States under the age of 35," said, "It is a privilege and an honor for me to be president (of) this company." He said he had "had the opportunity to see it grow" during a close 2½-year relationship with "Mike and Frank and Buddy," and added that "the decision that I would want to be associated with this group" was "one of the best ones I've ever made, decision-wise."

He told the group, "You're fortunate to have probably one of the best money-market operators that I've ever seen and certainly one of the highest-qualified tax desk departments or divisions of firms that I've ever seen." This, even though Nugan Hand's money-market operations were consistent and intentional money losers, as the bank built up deposits by offering investors much higher interest rates than Nugan Hand got by investing the money for its own account. (The Hong Kong liquidator's office has calculated that from 1976 to its demise, Nugan Hand lost \$7.9 million in trading securities.) And many of Mr. Nugan's tax schemes later proved to be scarcely veiled frauds.

Hearing his words of praise for Nugan Hand repeated from transcripts of tape recordings obtained by this newspaper and verified, Mr. Beazley said that it was possible that he had said such things but that he couldn't remember. He also conceded the possible accuracy of reports that as late as March 1980, he had assured people that the bank was solid and would continue.

Lots of Gold Braid

Other leading lights at the October 1979 meeting were Adm. Yates; Gen. Laroy I. Manor, the retired chief of staff for the U.S. Pacific Command; Walter McDonald, the recently retired deputy CIA director, and Guv Pauker, a consultant to various U.S. defense and security agencies. Gen. Manor helped run Nugan Hand's Philippine office, and Messrs. McDonald and Pauker had become consultants to the firm.

Everyone praised Nugan Hand lavishly and pledged tireless efforts to make it grow. But there were some disquieting notes, too. Representatives from Malaysia, Taiwan and Singapore openly expressed their uneasiness about what the Malaysia man called "our present non-official banking activities." All of these countries and others in the region, including Australia, have tight restrictions on taking money out of the country, which was Nugan Hand's main attraction in luring customers. Nugan Hand was allowed into many countries only under the belief that it was an international trade broker.

Nobody mentioned the books that Price Waterhouse had refused to certify two weeks earlier. Mr. Nugan seemed his charming, chipper self. But he, like his bank, was unraveling.

That summer his American-born wife, Lee, had returned to her parents in Nashville, Tenn., taking the couple's two chil-

dren. Records show that she ran up \$21,200 in bills on her American Express card in nine months. Australian liquidator John O'Brien says that she also took \$1 million in traveler's checks with her. She has resisted numerous attempts by this reporter to interview her.

Close friends of Mr. Nugan say that he wanted her back. He went on the wagon, ending a bottle-a-day Scotch habit, and he took off nearly 50 pounds—all in six months. He spent money in manic style. He paid about \$500,000 to remodel the couple's lavish waterfront home (sand reportedly was hauled in for a beach) to impress his wife. But by several accounts she was revolted by its poor taste when she saw it on a brief trip home to attend a wedding at Christmas of 1979.

Mr. Nugan flew back to the U.S. with her on Jan. 9, 1980, but then was off alone to Florida, the Caymans and Switzerland, where he and Mr. Hand reportedly sought United Nations money for their refugee project. He apparently talked to former CIA Director William Colby and made plans to see him the next month. He told people that he was moving to the U.S. and entered negotiations to buy a Florida condominium.

He was back in Sydney Jan. 25. The next day he agreed to close another purchase: a \$2.2 million country estate he had dickered over for months—82½ landscaped acres and a mansion—"the finest in Australia," he told its owners, a family named Darling. The deal was never consummated. That night he died.

Mr. Hand and the other Americans running the bank appeared to witnesses genuinely surprised by his death—and the sudden desperateness of the situation. Some big withdrawals were made about this time. Maurice Bernard Houghton, a mysterious Texan who played a big part in the bank's affairs, withdrew \$150,000 in February; he has said that he used the money on company business in Europe. Mr. Beazley withdrew \$200,000, which was transferred to his account in Florida; he says he can't remember what the money was for, but that he has repaid it though he can't prove it.

Gen. Manor Leaves Manila

When Nugan Hand's liquidation came on April 11, 1980, Wilfred Gregory of the firm's Manila office says that he and Gen. Manor were warned by their lawyer, William Quasha, to leave the Philippines or they "could wind up in jail." Mr. Gregory says that he stayed but that Gen. Manor left overnight. Gen. Manor, now running a retired officers' association in Virginia, wouldn't say when or why he left the Philippines, and Mr. Quasha says he can't discuss his advice to a client. Mr. Gregory kept the office for consulting work; he won't name his clients. His new partner was Philippine President Ferdinand Marcos's brother-in-law Ludwig Rocka, until Mr. Rocka's recent death.

Also as Nugan Hand's liquidation began, Mr. Houghton notified several of the firm's agents in Saudi Arabia to get out fast. There had been a similar evacuation in January when Mr. Nugan died, but when things cooled off the salesman returned. In April they barely escaped. "The situation became somewhat violent," Mr. Houghton has recalled. "The bank branch . . . was severely damaged by the depositors after Mike Murphy (the bank representative) left," he said.

In June 1980, Michael Hand, the firm's co-founder, went into hiding in an apartment next to a butcher shop owned by Robert W. Gehring. Mr. Gehring, a former U.S. Army sergeant, worked for Bernie Houghton. The three men had been close since Vietnam War days; Mr. Hand had been a Green Beret and then an undercover operative, and Mr. Houghton was a big trader throughout Southeast Asia. Mr. Gehring's shop was the place where many of Nugan Hand's records were secreted after Mr. Nugan's death. Mr. Gehring has testified that Mr. Houghton asked him to help Mr. Hand flee from Australia.

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Mr. Gehring says that he conned an employee, Alan Winter, into lending him his birth certificate, which Mr. Gehring then used to obtain a passport in Mr. Winter's name without his knowledge. Mr. Hand's U.S. passport had been seized the previous December by the U.S. consul in Singapore because the Bronx-born American had become an Australian citizen. He had been warned that Australian immigration officials were under orders not to let him leave under his own passport.

The Phony Passport

Mr. Gehring has testified that a mysterious American named "Charlie," identified only as an old Army buddy of Mr. Hand's, showed up in Australia, created a disguise for Mr. Hand and arranged for him to travel to the U.S., via Fiji and Vancouver. Mr. Hand left in mid-June, and Mr. Gehring says he concealed his friend's departure for a week. Mr. Hand left his wife Helen behind, and she is still living in Australia.

So far, the only charges by Australian authorities in the Nugan Hand affair are against Michael Moloney, Mr. Houghton's lawyer, and Patricia Swan, Mr. Nugan's secretary, for allegedly obstructing justice during the destruction of records after Mr. Nugan died. Mr. Moloney concedes in an interview that he advised Mr. Hand to remove the firm's records, but he says he is being made a scapegoat in the case. Mrs. Swan has refused to be interviewed.

In February 1981, Mr. Gehring has testified, he was visiting his brother in San Francisco when he got a call from "Charlie." They arranged for Mr. Gehring to go to a pay telephone booth at the airport. At the appointed time, a call came from Mr. Hand, whereabouts unidentified. He asked about his wife and friends and said he wasn't using Mr. Winter's identity anymore. That is the last time anyone says he has talked to Mr. Hand.